

**DISTRICT OF COLUMBIA
DEPARTMENT OF INSURANCE, SECURITIES AND BANKING**

NOTICE OF FINAL RULEMAKING

The Commissioner of the Department of Insurance, Securities and Banking, pursuant to the authority set forth in section 3(h) of the "Life Insurance Amendments Reform Act of 1984", effective March 14, 1985 (D.C. Law 5-160; D.C. Official Code § 31-4728 (2001)), gives notice of the adoption of the following amendments to Title 26 (Insurance and Securities) of the District of Columbia Municipal Regulations ("DCMR"). These final rules will become effective upon the publication of this notice in the D.C. Register. The purpose of the amendments is to adopt the 2001 Commissioner's Standard Ordinary ("CSO") Mortality Table and replace the 1980 CSO Mortality Table, which is used in determining minimum reserve liabilities under the standard valuation laws, and in determining minimum cash surrender values and paid-up non-forfeiture benefits.

CHAPTER 30 (VALUATION OF LIFE INSURANCE POLICIES) OF TITLE 26, DCMR, IS AMENDED AS FOLLOWS:

The title to Section 26-3001 is amended to read as follows:

3001 **General Calculation Requirements for Basic Reserves and Premium Deficiency Reserves Prior to January 1, 2005**

Section 3004.1 is amended by adding the following definitions:

"2001 CSO Mortality Table" means that mortality table, consisting of separate rates of mortality for male and female lives, developed by the American Academy of Actuaries CSO Task Force from the Valuation Basic Mortality Table developed by the Society of Actuaries Individual Life Insurance Valuation Mortality Task Force, and adopted by the National Association of Insurance Commissioners ("NAIC") in December 2002. The 2001 CSO Mortality Table is included in the *Proceedings of the National Association of Insurance Commissioners* (2nd Quarter 2002). Unless the context indicates otherwise, the 2001 CSO Mortality Table includes both the ultimate form of that table and the select and ultimate form of that table and includes both the smoker and nonsmoker mortality tables and the composite mortality tables. It also includes both the age-nearest-birthday and age-last-birthday bases of the mortality tables.

"2001 CSO Mortality Table (F)" means that mortality table consisting of the rates of mortality for female lives from the 2001 CSO Mortality Table.

"2001 CSO Mortality Table (M)" means that mortality table consisting of the rates of mortality for male lives from the 2001 CSO Mortality Table.

"Composite mortality tables" means mortality tables with rates of mortality that do not distinguish between smokers and nonsmokers.

"Smoker and nonsmoker mortality tables" means mortality tables with separate rates of mortality for smokers and nonsmokers.

A new section 3005 is added to read as follows:

**3005 2001 CSO Mortality Table for Determining Minimum Reserve
Liabilities and Nonforfeiture Benefits After January 1, 2005**

3005.1 The regulations in this section shall have the following applicability:

- (a) At the election of the company for any one or more specified plans of insurance and subject to the conditions stated in § 3005.2, the 2001 CSO Mortality Table may be used as the minimum standard for policies issued on or after January 1, 2005 and before the date specified in paragraph (b) and pursuant to D.C. Official Code §§ 31-4701(c)(2)(A) and 31-4705.02(e)(16)(A)(i). If the company elects to use the 2001 CSO Mortality Table, it shall do so for both valuation and nonforfeiture purposes.
- (b) Subject to the conditions stated in § 3005.2, the 2001 CSO Mortality Table shall be used in determining minimum standards for policies issued on and after January 1, 2009 and pursuant to D.C. Official Code §§ 31-4701(c)(2)(A) and 31-4705.02(e)(16)(A)(i).
- (c) The 2001 CSO Mortality Table may be applied to Chapter 30 of Title 26, DCMR, in the following manner and subject to the transition dates in this section:
 - (1) For § 3001.1, the 2001 CSO Mortality Table shall be the minimum standard for basic reserves;
 - (2) For § 3001.2, the 2001 CSO Mortality Table shall be the minimum standard for deficiency reserves. If select mortality rates are used, they may be multiplied by X percent for durations in the first segment, subject to the conditions specified in §§ 3001.2(c)(1) to 3001.2(c)(9). In demonstrating compliance with those conditions, the demonstrations may not combine the results of tests that utilize the 1980 CSO Mortality Table with those tests that utilize the 2001 CSO Mortality Table, unless the combination is explicitly required by regulation or

necessary to be in compliance with relevant Actuarial Standards of Practice;

- (3) For § 3000.2(b)(2), the net level reserve premium shall be based on the ultimate mortality rates in the 2001 CSO Mortality Table;
 - (4) For § 3002.6, the valuation mortality table used in determining the tabular cost of insurance shall be the ultimate mortality rates in the 2001 CSO Mortality Table;
 - (5) For § 3002.10(d), the calculations specified in § 3002.10 shall use the ultimate mortality rates in the 2001 CSO Mortality Table;
 - (6) For § 3002.11(d), the calculations specified in § 3002.11 shall use the ultimate mortality rates in the 2001 CSO Mortality Table;
 - (7) For § 3002.12(b), the calculations specified in § 3002.12 shall use the ultimate mortality rates in the 2001 CSO Mortality Table;
 - (8) For § 3003.1(b), the one-year valuation premium shall be calculated using the ultimate mortality rates in the 2001 CSO Mortality Table; and
 - (9) For § 3004.1, all calculations shall be made using the 2001 CSO Mortality Rate, and, if elected, the optional minimum mortality standard for deficiency reserves stipulated in § 3005.1(c)(4): The value of " $qx+k+t-1$ " is the valuation mortality rate for deficiency reserves in policy year $k+t$, but using the unmodified select mortality rates if modified select mortality rates are used in the computation of deficiency reserves.
- (d) Nothing in this section shall be construed to expand the applicability of Chapter 30 of Title 26, DCMR, to include life insurance policies exempted under § 3000.2.

3005.2

The following conditions shall apply with respect to the use of the 2001 CSO mortality table:

- (a) For each plan of insurance with separate rates for smokers and nonsmokers, an insurer may use:

- (1) Composite mortality tables to determine minimum reserve liabilities and minimum cash surrender values and amounts of paid-up nonforfeiture benefits;
 - (2) Smoker and nonsmoker mortality tables to determine the valuation net premiums and additional minimum reserves, if any, required by D.C. Official Code § 31-4720 and use composite mortality tables to determine the basic minimum reserves, minimum cash surrender values and amounts of paid-up nonforfeiture benefits; or
 - (3) Smoker and nonsmoker mortality to determine minimum reserve liabilities and minimum cash surrender values and amounts of paid-up nonforfeiture benefits.
- (b) For plans of insurance without separate rates for smokers and nonsmokers, the composite mortality tables shall be used.
- (c) For the purpose of determining minimum reserve liabilities and minimum cash surrender values and amounts of paid-up nonforfeiture benefits, the 2001 CSO Mortality Table may, at the option of the company for each plan of insurance, be used in its ultimate or select and ultimate form, subject to the restrictions in § 3001.
- (d) When the 2001 CSO Mortality Table is the minimum reserve standard for any plan for a company, the actuarial opinion in the annual statement filed with the Commissioner shall be based on an asset adequacy analysis as specified in 26 DCMR § 2900 *et seq.* The Commissioner may exempt a company from this requirement if its business is conducted exclusively in the District.

3005.3 Gender-Blended Tables shall apply in the following circumstances:

- (a) For any ordinary life insurance policy delivered or issued for delivery in the District on and after January 1, 2005, that utilizes the same premium rates and charges for male and female lives or is issued in circumstances where applicable law does not permit distinctions on the basis of gender, a mortality table that is a blend of the 2001 CSO Mortality Table (M) and the 2001 CSO Mortality Table (F) may, at the option of the company for each plan of insurance, be substituted for the 2001 CSO Mortality Table for use in determining minimum cash surrender values and amounts of paid-up nonforfeiture benefits. No change in minimum valuation standards is implied by this paragraph.

- (b) When a company is choosing among the blended tables developed by the American Academy of Actuaries CSO Task Force and adopted by the National Association of Insurance Commissioners in December 2002.
- (c) It shall not be a violation of D.C. Official Code § 31-2231.01 *et seq.* for an insurer to issue the same kind of life insurance policy on both a gender-specific and gender-neutral basis.

3005.4 If any provision of these regulations or its application to any person or circumstance is for any reason held to be invalid, the remainder of the regulation and the application of the provision to other persons or circumstances shall not be affected.